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SHIPPING SUBSIDIES.

WITHIN the last year two bills have been laid before Congress to encourage the building and operation of vessels by Americans. In a certain sense the proposed legislation is a reflection of a growing national consciousness, a feeling, that, as a nation, the United States must get ready for a time of world power. To do this requires ships, both merchant and war. How to encourage the building of these, and at the same time not disturb the traditional policy of protection, involves a grave difficulty. Many statements are current, strongly fortified by statistics and arguments, that the merchants of other nations can secure and operate their vessels at a less cost than the Americans.¹ In order to overcome this difficulty, in the way of the future growth of the merchant marine, it is proposed to place American vessels on an equality with other nations in the world's competition. Subsidies suggest themselves as the best way to stimulate the building and sailing of vessels. To secure such aid legislation of different kinds has been proposed in the national Congress. Notably are the Hanna-Payne bill in the house and the Frye bill in the senate referred to in the opening sentence of this article. It is not improbable, with the pressure being brought to bear, that one or the other of these measures will become law. Thus the people of the United States have again before them the question: is the proposed solution after all likely to meet the hopes of the framers and restore our merchant marine to its former position. To fully present the true situation resort must be had to the experiences and history of other nations in the development of their marine. This I shall attempt to present after a consideration of the decline in American shipping.

It is undoubtedly pertinent to present briefly, in opening an article of this nature, the reasons for the decline in the

¹ *Report of the Commissioner of Navigation, 1899*, pp. 43, 44.

amount of American shipping. At one time the United States occupied a second place among the merchant marines of the world. Her vessels in 1810 carried 91 per cent. of her foreign commerce; today this percentage has been reduced to 8.9 of the total foreign commerce. This rapid decline in actual tonnage carried has alarmed the shipping interests. They now come to Congress demanding legislation, thinking it possible by appropriate laws to restore the American flag on the high seas. The causes for this falling in tonnage and ocean traffic are enumerated as five by the Dingley Committee reporting in 1885,¹ which are given here briefly as follows:

- I. Change from wooden to iron ships, 1840-1860.
- II. The Civil War.
- III. The condition of national finances, 1862-1878
- IV. High rates of profit in other industries.
- V. Higher cost of iron ships in the United States.

To these should be added our navigation laws, local taxation, and protective system. All kinds of consular fees, and regulations, hospital taxes, interference with men and their wages, added to the burden of the American shipowner. The minority report of the committee referred to states that it often cost \$5 to ship a sailor on an American vessel. The English charge is 2 shillings.² England up to 1854 was bound by the same laws, but in that year the evils of her navigation act were eradicated. Under the criticism of the Dingley Committee many of the fees were reduced and some of them entirely removed, but there is still much unnecessary interference with the shipping of men in the United States.³ The matter of taxation is a still greater grievance. English and German vessels are taxed upon their earning capacity, while in the United States the local assessors of the port assess them as personal

¹ *Report of Dingley Committee No. 1827*, XLVII. Congress, second session; *House Report*.

² *Report of Dingley Committee No. 1827*, XLVII. Congress, second session; *House Report*, p. 21.

³ *Statutes at Large*, vol. xxiv. pp. 79, 80.

property. This means, of course, a higher tax and an extra expense for the American. Possibly the most important of all of the causes here given is the protective system. Foreign trade and protected industries are unalterably opposed to each other. The neglect of our shipping interests by Congress has not been unintentional. There were many men in that body who did not believe in foreign commerce, as is evidenced by the speeches and statements made there. Statutes and laws were the outcome of this belief, and our trade was restricted with other nations. In reference to this point the minority report of the committee states "that foreign trade exists where there is freedom of trade, protection restricts the shipping interests of the United States by cutting off the American commerce. There are outgoing but no incoming cargoes." That ships are the children and not the parents of commerce would seem to be well borne out in the relative positions of the four great powers. England's foreign commerce was greater than that of any other nation, Germany stood second, United States third, and France fourth. In this same relation do these nations stand in the comparison of tonnage of merchant marine. The table below indicates in figures the positions of the different nations. The first two have free ships, England free trade and Germany partial protection.

COMMERCE AND SHIPPING TONNAGE.

| Nation | Commerce | Shipping ¹ |
|---------------------|------------------------------|-----------------------|
| England - - - | ² \$3,823,000,000 | 13,993,666 |
| Germany - - - | ² 2,056,000,000 | 2,161,458 |
| United States - - - | 1,914,000,000 | 2,096,659 |
| France - - - | ² 1,816,800,000 | 1,232,094 |

The last two have protective systems; France encourages the increase of her shipping by subsidies and the United States proposes to do the same.

Within recent years five different methods, according to the commissioner of navigation, have been proposed of increasing the American merchant marine.³ First among these was a plan

¹ *Report of the Commissioner of Navigation*, 1899, p. 11.

² *Statesman's Year Book*, 1899 -- given for 1897.

³ *Ibid.*, p. 34.

of discriminating duties on imports brought to the United States in foreign bottoms, or on the cargoes of foreign vessels as compared with American. The second plan was to pay bounties on exports in American vessels. Free registry for foreign ships was the third, mail subsidies to fast vessels the fourth, and the last, navigation bounties, based on tonnage, mileage, and speed. Our commercial treaties forbid the adoption of the first two plans, the third has never received any support in Congress and has been opposed by the shipbuilding interests, while the fourth only meets the difficulty partially and does not affect the larger amount of the merchant marine. The fifth plan is incorporated in the bills now before Congress.

The Hanna-Payne Shipping Bill was introduced in the house by Mr. Payne, December 4, 1899, and was referred to the Committee on the Merchant Marine and Fisheries. On January 12, 1900, the committee reported and were discharged. The bill was amended, ordered reprinted, and referred back to the committee. The bill was reported a second time on March 31, and was committed to the Committee of the Whole House on the state of the Union, where it now rests.¹ In the senate Mr. Frye introduced a similar bill December 6, 1899, which was read twice, and referred to the Committee on Commerce. The bill was reported to the senate, February 26, 1900. It now awaits the final action of the senate. The two bills differ but little. The better known one, the Hanna-Payne bill, illustrates the purposes of the framers. It applies to vessels only that are engaged, or will be, in foreign trade. To vessels built in the United States prior to January 1, 1900, the privileges of the bill are to be extended for a period of ten years.² The vessels built after this date enjoy the subsidy for twenty years. The subsidies granted in the bill are based on mileage, tonnage and speed. Thus "on each entry of a steam or sail vessel, not exceeding sixteen entries in any twelve consecutive months, one and one half cents per gross ton for each one hundred nautical miles, not exceeding

¹ House of Representatives, LVI. Congress, first session, No. 890.

² Further provision is made for vessels of foreign construction.

one thousand five hundred nautical miles, sailed outward bound, and one and one half cents per gross ton for each one hundred nautical miles, not exceeding one thousand five hundred nautical miles, sailed homeward bound, and one cent per gross ton for each additional one hundred miles sailed, shall be paid to vessels." In order to secure this subsidy, the vessel must sail from a port in the United States and carry a cargo equal to at least 50 per cent. of the gross tonnage.¹ Steam vessels of tonnages from two thousand to over ten thousand are to receive extra compensation which varies with the tonnage and speed. A vessel of two thousand tons and a speed of fourteen knots and less than fifteen receives one cent, in addition to the above, per gross ton, for each one hundred nautical miles steamed outward bound, and 80 per cent. of this amount on the homeward voyage.²

The schedule unless translated into dollars per round trip does not mean anything in particular.³ It therefore is a question of considerable importance to know just how much public money the bill proposes to give to vessels engaged in foreign trade. The intent of the bill may be shown by reference to actual voyages. The ordinary sail or steam vessels of less

¹ *House Report 64*, LVI. Congress, first session, *Report No. 890*, §1a.

² The Frye Bill does not make any distinction between out and homeward voyages.

³ SCHEDULE OF RATES, TONNAGE AND SPEED

2000 tons.

| | |
|---------------|-----------------------------|
| 11-12 knots, | .4 of a cent per gross ton. |
| 12-13 " | .6 " " " " |
| 13-14 " | .8 " " " " |
| 14-15 " | 1. cent per gross ton. |
| 15-16 " | 1.1 cents " " " |
| Over 16 knot, | 1.2 " " " " |

Over 4000 tons.

| | |
|-------------------|--------------------------|
| 17-18 knots, | 1.4 cents per gross ton. |
| 18-19 " | 1.6 " " " " |
| 19 knots or over, | 1.8 " " " " |

Over 10,000 tons.

| | |
|-------------------|-------------------------|
| 20-21 knots, | 2. cents per gross ton. |
| 21 knots or over, | 2.3 " " " " |

than two thousand tons and a speed under eleven knots will, on a voyage from New York to Liverpool and return, receive 75.2 cents for each gross ton which in the case of a vessel of 1800 tons would be \$1350. The calculation may be interpreted as follows: Distance 3010 miles—first 1500 miles at 1.5 cents per 100 miles = 22.50 cents; second, 1510 miles at 1 cent per 100 miles = 15.1 cents, total 37.6 cents or 75.2 cents per gross ton for the round trip. Our interest, however, centers on the larger vessels of greater speed. The table below indicates the amounts receivable for vessels in each class:

COMPENSATION UNDER SECTION 1. (b)

Based on the distance from New York to Liverpool, 3010 miles.

| Speed in knots | Regular pay | Extra | Total in cents per ton | Size of vessel | Total subsidy (round trip) |
|---------------------------------|-------------|--------|------------------------|----------------|----------------------------|
| Steamers from 2000 to 4000 tons | | | | | |
| 11-12 | 75.2 | 21.67 | 96.87 | 2,010 | \$ 2,034.27 |
| 12-13 | 75.2 | 32.50 | 107.7 | 3,000 | 3,031.00 |
| 13-14 | 75.2 | 43.34 | 118.54 | 3,000 | 3,556.20 |
| 14-15 | 75.2 | 54.18 | 129.38 | 3,000 | 3,881.40 |
| 15-16 | 75.2 | 59.59 | 134.79 | 3,500 | 4,717.65 |
| 16— | 75.2 | 65.01 | 140.21 | 3,900 | 5,468.19 |
| Steamers over 4000 tons | | | | | |
| 17-18 | 75.2 | 75.85 | 151.05 | 4,100 | 6,193.05 |
| 18-19 | 75.2 | 86.68 | 161.88 | 6,000 | 9,712.80 |
| 19— | 75.2 | 97.52 | 172.72 | 8,000 | 14,117.60 |
| Steamers over 10,000 tons | | | | | |
| 20-21 | 75.2 | 108.36 | 183.56 | 12,000 | 22,027.20 |
| 21— | 75.2 | 124.61 | 199.81 | 17,000 | 33,967.70 |

A number of other features are connected with the bill. It is provided that owners of vessels, sailing or steam, engaged in the business of deep-sea fishing are to receive \$2 per gross ton during a period of three months. The crew of such vessels must be one third American. In such case the men are to receive from the national treasury \$1 per month each in addition to their regular wages. Each vessel receiving a subsidy is

to carry an apprentice for every thousand tons of the vessel's registry. The boys are to be given by the master of the ship instruction in navigation and training in seamanship. Both of these provisions are made to encourage the development of sailors for the navy. The bill further provides that the vessels may be purchased or hired by the United States as auxiliary cruisers. This is one of the strong arguments made in favor of the bill, on the ground that the United States should not be compelled in time of war to rely upon foreign shipping. Some limitations are placed upon the vessels. The mails are to be transported without charge to the government, and no contracts to pay subsidies are to be made ten years after the passage of the act, but the owners of foreign vessels now engaged in the trans-atlantic trade, provided 50 per cent. of the stock is owned in the United States may, upon registry under the laws of the United States, receive a subsidy equal to 50 per cent. of the amount paid to the owners of American-built vessels. The owners of foreign-registered vessels agree, however, to duplicate the tonnage thus entered under the flag of the United States within a period of ten years. It is to be understood, also, that the owners of American vessels now engaged in the foreign trade are not paid a subsidy unless they agree to build an aggregate tonnage at least equal to 25 per cent. of the vessels now existing upon which compensation is claimed. The period of contract is in the latter case five years. It, therefore, appears that new vessels receive a subsidy when built in the United States, after January 1, 1900, but steamships of foreign construction prior to this date must be transferred to American registry, and if owned partly by Americans will be paid, where the tonnage is duplicated, the regular subsidy. The vessels now owned and built in the United States receive the subside when 25 per cent. of new tonnage is constructed in this country.

Provision is made in the bill giving the Secretary of the Treasury power to make contracts with the shipping companies to carry out the law. A bond of \$10 per gross ton is required upon registry, conditioned that the owners of such vessels as

may be registered will build in the United States, within ten years after the passage of the act, tonnage in accordance with the requirements of the law. The bill, however, provides "that, if it shall happen that any of such new vessels, without any fault or lack of diligence on the part of the obligors in such bond, fail to be built and be registered as required, the Secretary of Treasury shall extend the time of the performance of the conditions of such bond for such period or periods as shall appear to him to be just." The possible action of the subsidy plan may, at the option of a Secretary of the Treasury, be extended beyond the twenty-year limit mentioned in the bill.

Much discussion has ensued as to the probable cost of this measure. The bill distinctly provides that, in respect of any one fiscal year, there shall not be paid out of the treasury a sum exceeding nine millions of dollars. The Commissioner of Navigation estimates the expenditure, if the bill had gone into operation on June 30, 1899, as follows:¹

| | | | | | | | |
|-----------------------|---|---|---|---|---|---|-------------|
| Fast steamships | - | - | - | - | - | - | \$2,232,184 |
| Slow steamships | - | - | - | - | - | - | 1,050,000 |
| Sail vessels | - | - | - | - | - | - | 1,000,000 |
| Fishing bounties | - | - | - | - | - | - | 175,000 |
| | | | | | | | |
| Total | - | - | - | - | - | - | \$4,457,184 |
| Deduct ocean mail pay | - | - | - | - | - | - | 1,300,000 |
| | | | | | | | |
| New expense | - | - | - | - | - | - | \$3,157,184 |

The commissioner thinks that it will take some four or five years before the limit of the bill would be reached. On the other hand, in a speech in the house Mr. Henry D. Clayton quoted figures which went to prove that the third year of the law would see the limit reached.² There can be but little doubt that the shipping interests would demand a further extension of the limit, with the expectation of receiving larger sums from the treasury. The encouragement of nine millions per year for twenty years might mean that 18 steamships of 17,000 tons and

¹ *Report of the Commissioner of Navigation, 1899*, p. 38.

² *Congressional Record*, Friday, February 17, 1899.

23 knots speed would exhaust the entire sum. Such a vessel would draw \$5,43,472 from the public treasury for 16 round trips in a single year. Just how inadequate the figures given on this bill are may be shown by the statement of the Commissioner of Navigation that there are now 300,000 tons of shipping being built in foreign shipyards which would come under American registry.¹ If we suppose that these vessels will maintain an average speed of 15-16 knots per hour the compensation under the bill on the supposition of 12 round trips per year would be \$4,972,440. Add to this amount the subsidies payable to already existent American vessels (see p. 10) and you have exceeded the nine million dollars by a half million and not one dollar has been paid out to newly built American vessels. The early exhaustion of the subsidy, therefore, seems probable, and with it goes the stimulus to shipbuilding. A very serious doubt rises whether the bill can build up the American shipping; but before we go into a further analysis of the possible results of this act it might be well to examine with considerable care the experience of other nations in the development of their merchant marine. The four countries already referred to furnish examples of different kinds of policy. In the light of their experience can the subsidy plan be relied upon to produce the results hoped for by the advocates of this bill?

England stands forth pre-eminently as a shipbuilding and ship-operating nation. Her experience has been repeatedly referred to as an argument in favor of the bill. Just how far has the English government encouraged her merchant marine? In 1898 there were 10,460,643 net tons of shipping flying the English flag.² During the same year English imports and exports amounted to \$3,715,047,893. Of this tremendous amount two thirds were carried in English bottoms. What, then, is the secret of the growth of the English merchant marine? We may begin our inquiry by saying that the government never has paid subsidies to shipbuilders or to owners for the construction

¹ *Report of the Commissioner of Navigation, 1899*, p. 43.

² *Tables Showing the Progress of British Merchant Shipping*. London, 1899.

of vessels. The subsidies now paid to British vessels are of two kinds: those granted to auxiliary cruisers, and for the carriage of the mail. Four companies now receive \$243,000 for the privilege of using some of the vessels in time of war.¹ The Cunard and White Star companies each receive \$72,900, the Pacific and Orient \$55,890, and the Canadian Pacific Steamship Company \$36,450. The vessels so subsidized are eleven in number, although the admiralty has a further right to call upon fourteen other steamers for transport service. There are also five mail subsidies, for which the government paid out in 1899 some \$4,070,097. Of this sum more than 20 per cent. is paid by the colonies.² The returns from this postal service, after the payment of all expenses, are such that it costs the British taxpayer "little if anything more than a quarter of a million sterling per annum," which, when measured with the United States service, is not very much more expensive.³ The merchant marine of England thus receives in subsidies about four and a quarter million of dollars, but the demands of the government under these contracts are so great that the dividends of the companies fall short of the actual subsidies paid to the companies. The following table for the year 1898 fully bears out this statement.⁴

| Company | Subsidy | Dividends |
|-----------------|----------|-----------|
| Cunard - - - | £ 65,000 | £ 56,000 |
| P. & O. - - - | 330,000 | 202,000 |
| Orient - - - | 85,000 | — |
| Union - - - | 45,000 | 50,000 |
| Castle Mail - - | 45,000 | 53,500 |
| Royal Mail - - | 80,000 | 48,500 |

On the other hand, many of the unsubsidized companies paid large dividends. For the same period the earnings of the Leland Line were 11 per cent. and those of the West Indian and Pacific Steamship Company 12½ per cent.⁵ It would follow,

¹ *Special Consular Report; Merchant Marine*, vol. xviii. p. 111.

² *Ibid.*, p. 111.

³ *Atlantic Monthly*, March 1900, p. 393.

⁴ *Ibid.* I am indebted to the above article for these figures.

⁵ LINDSAY, *Merchant Shipping*.

then, that subsidies were not, and have not, been necessary for the support of the English merchant marine. We have only to mention the Anchor, Guion, Monarch, National, Wilson, Sumner, Beaver, Bristol, State, and Arrow lines as further proof of statements already made. These lines never received any subsidies from the English government.

Such subsidies as England has paid out to shipowners have been due to political and not commercial necessity. Her colonies were widely scattered and communication with them was absolutely needed at the earliest moment possible to secure it. The operation of vessels to sparsely inhabited and virgin countries was not attractive to shipowners. Inducements were therefore necessary and took the form of mail subsidies. In every instance the subsidies were greater than the commercial value of the business. New companies appeared as soon as the trade warranted it and were actually able to carry on a more profitable business than the subsidized lines, for they adjusted the running of their vessels to the needs of the business which the subsidized lines were not permitted to do. It possibly should be suggested that the carrying of the mails is awarded to the lowest responsible bidder, and that the government receives value for the money paid out. Great Britain's merchant marine is due to something else than the payment of monies to ship owners—possibly to natural causes. These may be enumerated briefly as:

- I. Free trade.
- II. Free ships.
- III. Early establishment of the iron and steel industry.
- IV. Iron ships.
- V. Adoption of inventions such as the screw and the marine engines at an early date.
- VI. Repeal of navigation laws.

Second in shipping tonnage, but far below Great Britain in actual amount, is Germany. In 1871 this nation had 4372 sailing vessels, with a tonnage of 900,301, and 147 steamers, aggregating 81,994 tons, making a total of less than a million. There

were employed in the merchant marine 38,475 men. Today Germany has a seagoing steam tonnage of 1,625,521 tons and 535,937 tons of sailing vessels. Employed in this marine service are 42,428 men. The German navy now comprises the largest and swiftest merchant vessels afloat. She has at present 27 regular lines to European ports and 34 to other parts of the world. Her progress has been very rapid during the last thirty years. It is certainly increasingly interesting to know just what the policy of the German government has been.

The policy of Germany has been liberal in dealing with the merchant marine and covers seven points; (1) free ships; (2) free materials; (3) foundation of schools; (4) distribution of information concerning the weather, coast soundings, and the testing and examination of instruments; (5) co-operation of boards of trade; (6) a scientific tariff; (7) subsidies. An examination of these in order will give a more definite idea concerning German policy.

The government of the German Empire recognized that the shipyards of that nation were not in position to furnish iron vessels as cheaply as England. The same government fully understood that in the transition from wooden to iron vessels the fleet must be kept up by purchases. So the Germans began by buying, then repairing, and then building. Successful as are the German shipbuilders, today many vessels are bought abroad. In a recent consular report is the following, much in point: "The total output of the English shipyards was 1,584,000 tons gross (1899). Of this immense mercantile fleet, 1,149,000 tons were for Great Britain and 18,000 tons for its colonies. Of the remainder, the largest part (68,000 tons, against 37,000 tons in 1898), was for Germany, which, although it occupies the first place after England in shipbuilding, is nevertheless England's best customer."¹ The purchasers of vessels, therefore, have an option in the selection and building of vessels, the market of the world is thus open to them and their builders must meet this competition in order to get the business. This brings us to the second point.

¹ *Consular Reports*, April 1900, p. 431.

In order to make it possible for the builders to compete with English and other foreign makers the government has withdrawn all duties from the materials necessary in the construction of vessels. This has been the law since July 15, 1879, and as a consequence the German builders have been able to get material very cheap. The state railroads haul these materials to the point where needed for a low freight, barely covering costs. Under the act referred to above there were imported in 1898, 4498 tons of pig iron, 8969 tons of structural iron, 5048 tons of wrought cranks and shafting, 28,246 tons of steel and iron plates, 1280 tons of anchors, 1252 tons of heavy castings, 69,268 tons of sawed lumber, 72,234 tons of hewn lumber, besides cordage and hemp.¹ Not a great deal but still enough to keep the home manufacturer competing with a world market.

As early as 1830 Hamburg and Bremen started private schools to teach young workmen the methods of ship construction. The early shipbuilders had learned their art in Copenhagen and American cities previous to this time, but beginning with this date schools are founded in Germany. The Prussian government took the matter up in 1836 and established at Stettin a technical high school. But the men trained in these schools had been taught to make wooden ships. The government established in 1884 schools to meet the changing conditions and also made arrangements for apprentices in the national shipyards. Not only has the German government founded technical schools, but it has provided a fine training for young men desirous of entering the consular or mercantile service, either of the government or the great companies. A writer in the *Consular Report* of February 1900 says:

There is a determination on the part of the municipalities and states to increase and extend their schools and to equip them with the most modern and improved apparatus. . . . The Germans seem to attach greater importance than ever to high scientific training in the development of the manufacturing industry.

Closely allied with the schools is the distribution of information in relation to the weather, coast soundings, and the

¹ "Merchant Marine," *Special Consular Report*, vol. xviii.

examination and testing of instruments in the government observatories and schools. These services are done without charge and have given German sailors unusually good maps, charts, and instruments.

On the mercantile side of this development the boards of trade in the different German cities have contributed freely and with beneficial results. Their co-operation has been intimate and close. The information furnished through these bodies has been accurate and unusually reliable, resulting in substantial gains to German trade. The tariff, too, in the empire has been formulated by the best minds and with the intention of getting the most scientific schedule possible. The object was to make it a benefit to the whole nation simple and even in its operation. Undoubtedly it is a very satisfactory schedule and does not discriminate against commodities ; this in itself encourages trade, but we now come to the question of subsidies.

It is impossible to understand the German system of subsidies without reference to her colonies and her trade. There was never any real intention of paying the money of the realm for mere ships. The government desired a service, namely : communication with the colonies in China, Australia, Africa, and South America. The feeling was that Germany must have extended markets in which to sell her goods then making in such quantities. The present agitation in the United States is on an entirely different basis. We want ships because it is a good thing to have vessels, and other nations have them; besides it would turn out well for our shipbuilders. Bismarck voiced the German idea in 1881, and a contract was made with the North German Lloyd Steamship Company in 1885 to operate three lines of steamships to China, Japan, and Australia. The subsidy was granted for fifteen years and amounted to \$1,047,000. In 1890 the same company agreed to extend its service to Africa in consideration of an additional amount of \$214,000. In 1898 a new contract was entered into in which the company agreed to maintain a maximum standard speed of $13\frac{1}{2}$ knots per hour, and to build steamers of at least 6000 tons. For this the subsidy

was raised to \$1,330,420.¹ The total annual expenditures of the German government on her merchant marine was, according to the United States Commissioner of Navigation, \$1,894,620.² This sum includes the expense of transporting the foreign mails. It will be seen that Germany has, like England, paid for a specific service, but has not remunerated the builders and owners of vessels, simply for the reason that they were constructing vessels, or were operating them so many miles each year.

France, on the other hand, follows this policy, so that her experiences are particularly worthy of note. Her merchant marine against all that has been done, continues to decline. A recent writer says: "The decadence which is menacing us is increasing every day, and if we do not take care it is to be feared that before the formidable élan of foreign fleets our merchant navy in a very brief time, will fall into complete ruin."³ This falling off in the French merchant marine has been noticed since 1865. The movement of French vessels in French ports is indicated in the following table:⁴

| Year | | Entries per cent. | Clearances per cent. | Total per cent. |
|------|-----------|----------------------|-------------------------|--------------------|
| 1875 | - - - - - | 26 | 33 | 29 |
| 1885 | - - - - - | 29 | 32 | 26 |
| 1895 | - - - - - | 22 | 29 | 24 |

In comparing more recent years the showing is still more unfavorable. In the first six months of 1897 the entries were 23.1 per cent. and clearances 30.9 per cent. The same period in 1898 indicates a percentage of 19.2 of entries and 28.6 per cent. of clearances. Still since 1881 France has had a subsidy system paying both for construction and navigation, and yet her merchant marine declines. In no country has the subsidy system been carried so far, and as a consequence it would be supposed that more favorable results would be the outcome.

¹ "Merchant Marine of Foreign Countries," *Special Consular Report*, vol. xviii.

² *Report of the Commissioner of Navigation*, 1899, p. 24.

³ CHARLES ROUX, *Notre Marine Marchande*, Paris, 1898.

⁴ *Special Consular Report*, vol. xviii. p. 16.

Modern French shipping legislation begins in the year 1866 when the tax placed on foreign vessels was removed. The tax law was modified and re-enacted in 1872, but in the following year was repealed, due to the protests of other nations. After long study of the situation the bounty act of 1881 was passed.¹ This law provided that shipbuilders should receive \$11.58 per gross ton of vessels constructed and \$2.20 per 100 kilograms of machinery and boilers. The owners of French constructed vessels receive 29 cents per 1000 miles sailed the first year, after that the bounty decreased to 1.4 cents for wooden and 1 cent for steel vessels. Foreign vessels were admitted to registry under the French flag, but only one half of the bounty was paid to the owners. The law was to remain in force for ten years, but was continued for an additional two years. In that time the French government spent for navigation bounties \$13,202,833, and for construction \$6,300,868, a total of \$19,503,701.² Under this act 360,816.79 tons of metal shipping were built, an annual average of 30,150 tons.³ Nevertheless the law was not regarded as a success, either by the builders of ships or the framers of the law. In explanation of its failure it was stated that the time was too short and would have produced happy results if it had not been limited to ten years. Doubting its renewal shipowners ceased sometime before the expiration to increase their shipping. The causes are probably deeper than this as will be shown farther on.

Almost immediately after the expiration of the law of 1881 a second one was framed known as the act of 1893. Under the new legislation the bounty for construction was increased to \$12.54½ per gross ton, and to \$2.89½ per 100 kilograms for machinery and boilers. The half bounty allowed to the owners of vessels built in foreign countries but registered under the French flag was withdrawn. Bounties to shipowners was

¹ *Commercial Relations*, vol. ii. p. 229-231, 1896-7.

² *Report of Minister of Commerce and Industry*, in Special Consular Report, vol. xviii. p. 39.

³ *Ibid.* p. 46.

changed from 28.95 cents to 21.23 cents, but reckoned on gross instead of net tonnage; the annual decrease is 7.72 cents. The sailing ship bounty was increased to 32.81 cents. In addition to these an extra navigation bounty allowed to vessels built under plans approved by the Navy Department was increased to 25 per cent. This law caused the steam tonnage of French vessels to grow in five years some 66,691 tons. There was no increase of vessels engaged in foreign trade outside the subsidized lines.¹ The average increase of vessels not built for subsidized lines was 6,116 tons, under the act of 1893, while the increase under the 1881 law was 19,434 tons. The sailing tonnage amounted to 196,224 in 1893. This was increased to 206,898 tons in 1898.

Both laws were recognized as having failed of their purpose. Many meetings of chambers of commerce were held to stimulate foreign trade. Proposals were made to establish a bureau of commerce. In December of 1896 the matter was brought up in the Chamber of Deputies and upon motion the Minister of Commerce was requested to appoint an extra-parliamentary commission to hear all suggestions and to report upon the changes that should be made in the law of 1893.² The committee was appointed and consisted of statesmen, shipowners, builders, managers, and exporters. Every effort was made to collect information and to get at the real cause of the decline in French shipping. The committee was in session for nearly two years and has now presented its recommendations for the consideration at the next session of the Chamber of Deputies. It is proposed to modify the law of 1893 and continue its provisions for twenty years from the time of the amendment. The most important change is made in the first section which provides for a shipping bounty, varying in amount for tonnage, steam or sail, for each day the vessel is in commission. This section applies to all vessels of French registry that are not over twenty years old. The remainder of the bill makes a few modifications in the old act.

¹ *Special Consular Report*, vol. xviii. p. 19.

² *Committee on Relations*, 1898, vol. ii. p. 203, 204.

In addition to the bounties France has subsidized a number of steamship lines running from French ports to foreign ones. These lines are Havre to New York, the Antilles, Mexico, Algeria, Tunis, and Morocco, Corsica, Piraeus, Constantinople, Beirut, Alexandria, East Coast of Africa, and Indian Ocean, China, Japan, Australia, New Caledonia, Brazil and LaPlata, West Coast of Africa.¹ Most of the shipping engaged in this service is owned by the Messageries and the Compagnie Générale Transatlantique. The total sum paid by the French government for postal subsidies was \$4,665,620.² When this amount is added to the construction and navigation the French government in 1899 spent \$7,632,242 to encourage its merchant marine and received in return a smaller increase in her shipping than any of the great nations.

After all the efforts France has made why has she failed to materially benefit her merchant marine? There are a number of reasons which may be set down briefly. First, the timidity of French capital at the time of the change from sailing to steam vessels. Second, the condition of the French ports, most of them, with the exception of Marseilles, being poorly equipped to handle large steamers and great quantities of goods. Third, a great lack of internal improvements within the country itself for the rapid transportation of goods to and from the ocean ports. Fourth, the existence of a railway monopoly, charging high rates and giving a poor service. Fifth, the excessive cost of French vessels, due to the construction of war vessels which increases the cost of building, and delays the construction of merchant vessels. Sixth, the complexity of the government machinery dealing with the merchant marine. Seventh, the failure of French merchants to build up markets and mercantile connections. Eighth, the navigation laws.

With the experience of other nations before us we turn to the shipping history of the United States in the hope that the difficulties and actual situation there may be made clearer by

¹ *Special Consular Report*, vol. xviii. p. 27.

² Consular report just cited puts this amount at \$5,018,000.

that knowledge. The government of the United States never has placed, although repeatedly asked to do so, a bounty upon the construction of vessels. Our merchant-marine legislation began in 1789, when a discriminating duty of 10 per cent. was made in favor of goods imported in American shipping.¹ At this date, only 123,893 tons of deep sea vessels carried the American flag, but the tonnage rapidly increased for the year 1800 saw 667,107 tons of shipping carrying the flag of the United States in the ocean trade. The Napoleonic wars were largely responsible for the growth during the early years; the War of 1812, however, caused a fall in the tonnage that was very marked. This was followed by the act of May 24, 1828, which proved deleterious to the merchant marine, but under the magic influence of the gold discoveries in California the clipper-built ships of the United States rapidly increased in numbers and tonnage, and so stimulated the building and sailing of vessels that the tonnage reached 2,159,918 in 1854. The world, however, was ready to accept the iron steam vessels, this tendency coupled with the Civil War proved too much for the American marine. It is stated on good authority that the Civil War and its results drew from service in the ocean trade under the flag of the United States 2,311,900 tons of shipping.² Of this amount the navy department took 565,978 tons, the war department for transports 787,611, and vessels sold to foreigners during the war and a period of ten years afterwards 1,258,311 tons, making the total noted above. In the last twenty years the sea-going tonnage of the United States has increased very considerably, and if left alone may in time grow to considerable proportions.

Although the United States has not granted bounties for construction of vessels, nevertheless at different times the government has subsidized steamship lines. When steam vessels were first making their appearance on the seas Congress was repeatedly requested to grant a subsidy for the establishment of a regular

¹ Act of July 4, 1789.

² *Report of Dingley Committee, House Report No. 1827, XLVII. Congress, second session*

line of steamers. As early as 1841 the matter was presented in Congress, but it was not until four years later that the Postmaster-general was authorized to make contracts for carrying the foreign mails under the flag of the United States. Various subsidies were granted until by 1852 the government was paying out two million annually. Of this sum the Collins line received \$858,000 per year. Fast voyages and possibly careless navigation resulted in the loss of two Collins steamers and the withdrawal of the subsidy by Congress. The Pacific Mail Company had a still more doubtful existence. The company seems to have declined in service and management after the granting of the subsidies of 1865 and 1872. The latter one was found to have been secured through wholesale corruption, and public opinion thoroughly aroused demanded its withdrawal. This ended for a considerable period the subsidy granting on the part of the United States. In 1891, however, the "Ocean Mail Act" was passed, under whose provisions eight steamships have been built.¹ The bill proved a disappointment, and in consequence the act of May 10, 1892, was passed, under the provisions of which only vessels of not less than 8000 tons and 20 knots speed could be registered. Two vessels, the City of New York and City of Paris were admitted to registry. In agreement with the act the owners of these ships built two more, the St. Paul and St. Louis. The rate of pay is \$6 per statute mile outward bound.² Other payments are made to other companies, but for a specific service. The vessels of the American line were subject to use as cruisers by the government.

The United States paid out in 1899 as subsidies for the carriage of the mails the comparatively small sum of \$1,489,249; still the commissioner of navigation reports:³ that our total documented tonnage was the largest since 1865; the coasting trade tonnage was the largest in our history; our sea-going steam shipping the largest in our history; the construction of

¹ *Congressional Record*, March 3, 1891.

² *Report of Committee on Commerce*, LVI. Congress, first session, *Document No. 473*.

³ *Report of Commissioner of Navigation*, 1899, p. 9.

steel steam vessels greater than at any time in our history; the orders for large sea-going steam vessels exceeded those of any year in our history. But the vessels now flying the flag of the United States carried the smallest percentage of exports and imports in our history. In order to increase the carrying trade of the United States it is proposed to subsidize the vessels registered under our laws. Much doubt has already been cast on this method and it is questionable whether such a plan might not disturb the progress noted in the report of the commissioner. It is declared in view of the expensive ships, high wages and greater cost of American shipping that some protection must be granted both to the operation and building of ships. A number of statements has been made recently which seems to point to the fact that it is not excessive cost or high wages, but rather high profits to capitalists in other fields that prevented the growth of the merchant marine. If a few of the worst regulations were withdrawn the Americans would again enter the ocean carrying trade.

In connection with the argument for subsidies in the United States, on the ground that vessels cost more here than elsewhere, it is rather interesting to note the statement of Mr. William Cramp before the Senate Committee on Education and Labor. He stated before that committee, "that in securing the contract for the Russian war vessels his firm had to compete with France and Germany, and to some extent, with England. He said also, we secured those vessels because we could build them at a little less than they could and in a shorter time."¹ Opposed to this is the showing made by the officers of the American line in reference to the cost of the St. Paul and St. Louis. But it must be remembered that American builders will take advantage of their monopoly position so long as there is no foreign competition. A subsidy would tend to increase rather than lessen this difficulty. We can and do build vessels in this country cheaper than Germany and France and nearly as cheaply as England. The cost of operation is a second reason given for

¹ *Senate Document No. 127*, p. 23, LV. Congress, third session.

he failure of the merchant marine. There can be no doubt but that our vessels get cheaper oil, coal, spars, canvas, and ropes than in other nations. There remains then the question of wages and food. It may be said that the sailors' and firemen's wages in any port are the same for all nations. Any variations rest upon the character of the vessels and the men who command them. The whole matter depends upon the port of shipping. Nearly all the Atlantic lines, including the boasted American line, ship their men from foreign ports. The legal scale of food on our vessels is exactly the same as English contract scale and the cost per day twenty-one to twenty-two cents per man. In our coast wise trade, protected as it is, the crews are not American. There is no guarantee that the American will enter our crews so long as wages are higher on shore. It is also stated that the American crews are larger than those of other nations. Captain C. C. Duncan, at one time United States Shipping Commissioner of the port of New York says: "The records of this office show the departure from this port of 536,245 tons of English sailing vessels from January to October 1882 carrying 11,857 men, or one man to every 45½ tons. The American vessels carried 4945 men for 304,891 tons, or one man to every 65¾ tons.¹ Whether acknowledged or not statements like those made in the last few pages demand great caution in proceeding too rapidly in shipping legislation. At any rate it would seem that the advantages American vessels enjoy in coal, oil, spars, etc., certainly offset any differences in wages. As a fact it appears that the Americans do not care just at present to enter the carrying trade and the subsidies would go to a few existing companies already in the field.

The experiences of England, Germany, and France afford but cold comfort to the ardent advocates of subsidies. The first two nations without construction bounties have seen their merchant marines grow rapidly while the latter after spending millions of money finds herself in a relatively lower place in the

¹ *Report of Dingley Committee, House Report No. 1827*, p. 54. XLVII. Congress, second session.

world's shipping than before. In our own history the Collins line and the Pacific Mail furnished abundant evidence of the paralyzing influence of a subsidy. The causes for lack of development in this country have already been pointed out. The many opportunities for capital and labor divert these forces of production from the merchant marine. Great as have been our exports in the last few years still the system of duties tends to check the import trade. The two are necessary for a large carrying trade. In a noted paragraph the minority report of the Dingley Committee states: "If all these obstacles were removed and if ships of most improved and modern construction and fully equipped were given to us and placed as free gifts at our wharves, it is doubtful if our ocean commerce and shipping would be materially revived and developed."¹ Continuing the committee said: "It is not likely that any great increase or revival of our shipbuilding and shipping interests will take place until we have reached the maximum of production in other lines of labor and enterprise, especially in agriculture." Our manufactures are now able to meet the home demand and as a result an export trade is growing somewhat rapidly, but it is not likely that a subsidy would do anything more than stimulate shipbuilding without affecting the ocean carrying trade. In the words of the late United States Consul General of Germany, "the best assistance that can be extended by any government does not consist of subsidies in cash, but of endeavor to improve and to develop industrial and technical educational facilities."

The legislation now proposed appears to be based on a short-sighted view of a very great problem. The experiences and policies of successful nations should be our guide rather than the efforts of an unsuccessful nation. When this country is ready for a merchant marine in the fullest sense of the term our carrying trade will grow to what it ought to be.

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¹ *House Report No. 1827*, XLVII. Congress, second session.